

This record is a partial extract of the original cable. The full text of the original cable is not available.

E C R E T SECTION 01 OF 03 PANAMA 001116

SIPDIS

NOFORN

DEPARTMENT FOR WHA/CEN
USTR FOR RVARGO, JWOLFE

E.O. 12958: DECL: 05/04/2014

TAGS: [PREL](#) [PGOV](#) [ETRD](#) [EFIN](#) [EWTW](#) [PM](#) [CM](#) [CO](#) [TW](#) [POL](#) [CHIEF](#)

SUBJECT: PANAMA: IMPLICATIONS OF THE TORRIJOS VICTORY FOR
THE UNITED STATES

Classified By: AMBASSADOR LINDA E. WATT FOR REASONS 1.4 (B) AND (D).

SUMMARY

1. (C) Martin Torrijos, a 40-year-old politician with little national policy experience, scored a crushing electoral victory on May 2, while his Democratic Revolutionary Party (PRD) is positioned to control Panama's unicameral legislature. After it takes office on September 1, the new government's foreign policy will focus on relations with the United States and Colombia, the Torrijos campaign has told us, and on maintaining, if not improving, the excellent cooperation we now enjoy with the government of Panama (GOP) on security and law enforcement matters. Senior campaign officials have strongly suggested that Torrijos will take into account maintaining good bilateral cooperation in mind when making key appointments. The PRD and Torrijos probably are closest to our views on trade and investment among Panama's political parties, and Torrijos likely will send observers to the next bilateral Free Trade Agreement (FTA) round. The decade-long, \$8-10 billion Canal expansion project, which will soon become a priority for the new government, has already heavily involved the U.S. Army Corps of Engineers in concept-design planning and will likely offer sizable commercial prospects for U.S. firms. The GOP no doubt will ask U.S. "advice" to secure financing from commercial lenders. We doubt that a Torrijos government will prove more congenial to our positions on Cuba or Israel in the United Nations than prior Panamanian governments have been. Nonetheless, we hope to maintain positive momentum in our overall relationship with the new government. Embassy plans frequent meetings with transition team officials in coming months. End Summary.

An Eye on Key Appointments

2. (C) Winning 47% of the vote in Panama's May 2 national election, while his PRD appears to have won a majority of the 78 seats in Panama's unicameral legislature, Martin Torrijos proved his mastery of the Panama political scene and claimed a strong mandate to govern. Torrijos, an unknown quantity in governing style and substance, has emphasized an interest in issues -- law enforcement, security, trade and investment -- that we share. We have every reason to believe that Torrijos will prove responsive to our attention to key appointments, especially in security and foreign policy. (Comment: We have made clear to Torrijos that the appointment of certain Noriega and Perez Balladares-era officials to sensitive positions could cause problems in our bilateral relations. Transition team officials understand that and pledged to avoid such appointments. End Comment.) The evidence is growing that the so-called "Friends of Martin" -- a high proportion of whom are Texas A&M grads -- will dominate ministerial positions. A Texas Aggie collective in power in Panama will offer an obvious Texas connection for Washington.

Law Enforcement and Security Policy

3. (C) We expect to maintain or improve the already extraordinary level of access and cooperation we now enjoy with Panamanian officials on law enforcement and security policy. The transition team has assured us that, if there is a change in the level of cooperation, it will be a change for the better. We are currently assessing how to mitigate slowdowns in the first few months of the new administration due to transitions and learning curves. In coming weeks and months, we plan to enhance and exploit our excellent contacts with Torrijos officials and to give the transition team as much detailed knowledge of our programs and policy priorities as is practicable. Our core country team group charted Embassy's approach to the new government in an internal strategy meeting on May 7.

Pol-Mil

14. (C) Some of our current Pol-Mil arrangements with the GOP are based on informal and ad-hoc understandings, which we will have to explain at length during the transition period. The PRD harbors a relatively large number of skilled maritime lawyers, who can be expected to place a premium on those issues, which include the Proliferation Security Initiative (PSI - due to be signed in Washington on May 12), High Seas Crimes, seafarer identification, etc. We also have briefed the transition team on USG concerns regarding the Colon free trade zone.

Darien, Atlantic Coast

15. (C) Torrijos is known to have a more pro-active attitude toward security on the Darien-Colombian border and the Atlantic coastal region and has proposed establishing a greater GOP presence in both regions. The aim is to improve civilian-police relations in the Darien and to boost security in both areas. The transition team has told us of plans to rehabilitate 20-30 WWII-era landing strips on the Atlantic Coast, along with a shift away from the use of helicopters to a much greater reliance on cheaper-to-operate single-engine airplanes. By ensuring security at the landing fields, by improving communication with remote areas, and with plans to increase the number of rural teachers and medical personnel, the transition team hopes the new government will create goodwill in rural areas and gain an important intelligence capability and control that is now all but non-existent. The Atlantic Coast is now in the hands of outlaws, the team has told us.

Foreign Policy

16. (C) Torrijos has made clear that his foreign policy priorities are the United States and Colombia, and he has traveled recently to Bogota to meet president Uribe. (He traveled to the United States in October as a presidential candidate to meet with State Department and Pentagon officials.) One negative item on the agenda with Colombia is illegal immigration, estimated in excess of 100,000 people. The transition team believes that ordinary Panamanians are growing resentful of illegal Colombians because of job displacement, and team officials have said the new government will end illegal immigration practices.

UN General Assembly

17. (C) In the UN General Assembly, we expect little change in Panama's basic voting patterns, which will conform to the broader NAM trajectory be generally uncongenial with U.S. positions on Cuba and Israel. Nonetheless, we will work with the new government to make our case on the importance of UN voting patterns in our bilateral relations.

No Change in Taiwan-PRC Relations

18. (S/NF) Despite clandestine reporting to the contrary, we believe that Torrijos will continue Panama's long-standing official relations with Taiwan, and not with the People's Republic of China. Torrijos probably accepted campaign contributions from both sides, and will probably continue Panama's policy of playing both sides of the fence to extract maximum advantage.

Canal Expansion

19. (C) The first order of domestic business for the Torrijos government that concerns U.S. interests is Canal expansion. Now under active consideration, the Panama Canal Authority (ACP) is expected to announce its recommendations this summer for a project that could cost \$8-10 billion in borrowed funds and take a decade to complete. The Torrijos transition team sees Canal expansion as a motor for job creation and economic development for 10-15 years. Canal expansion cannot be postponed if the viability of the all-water route between East Asia and the eastern U.S. seaboard is to continue, as the Canal may hit its maximum capacity by 2010. Panama's constitution requires a referendum to approve a change of that magnitude in Canal finance, construction, and operations, which could involve new dams, new lakes, a higher water level, and displacement of hundreds of people.

Commercial Loans

110. (C) Borrowing for the project is expected to be on commercial terms, assuming that the ACP and the GOP can convincingly separate their finances, as the Canal's own cash flow should cover most of the costs. Local analysts say that

the GOP must first overcome the imposing hurdle of fixing the growing insolvency of the Social Security fund (CSS), long overdue for painful and unpopular reform. Doubtless the GOP eventually will request U.S. "advice" (and support) when approaching lending institutions.

Commercial Opportunities

11. (C) The U.S. Army Corps of Engineers is assisting the ACP in an advisory role at present (with the concept/design of a third set of locks on the Atlantic side) and probably can expect more future work when/if the project is approved. The Canal expansion project will offer large opportunities for U.S. contractors and exporters.

Free Trade Agreement

12. (SBU) The transition team has said that it plans to use the U.S.-Panama FTA to boost trade, investment, and market access, but also as a lever to increase transparency and rule of law, and to push an environmental agenda. Team members confirmed that president Moscoso invited Torrijos to send representatives to the bargaining table at the next round.

Comment

13. (C) All four of Panama's presidential candidates had their blemishes, but the Panamanian people gave Torrijos the largest electoral margin of victory in modern history. They clearly expect great things from him, an expectation that the transition team seems to take very seriously. He also was the most modern and most U.S.-oriented of the candidates. PRD leaders acknowledge that their party has a lot of baggage in its past relations with the United States but they insist that the policies and government appointments will prove that the "new PRD" is indeed a valuable ally. Assuming no ghosts from the past get in the way, and he takes concrete measures early on to convince the electorate that he will run a considerably more honest government than his predecessors, he is in a position to accomplish a great deal. As First Vice President-elect Samuel Lewis Navarro has told us, "We can't just run a good government... The people are expecting a transformation."

WATT